

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

September 24, 2002

IN RE:

**RBS GAS UTILITY, INC. ACTUAL
COST ADJUSTMENT (ACA) AUDIT**

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**DOCKET NO.
02-00362**

**ORDER ADOPTING ACA AUDIT REPORT OF
TENNESSEE REGULATORY AUTHORITY'S ENERGY AND WATER DIVISION**

This matter came before Chairman Sara Kyle, Director Deborah Taylor Tate, and Director Pat Miller of the Tennessee Regulatory Authority (the "Authority"), the voting panel assigned to this docket, at a regularly scheduled Authority Conference held on August 19, 2002, for consideration of the report of the Authority's Energy and Water Division (the "Staff") resulting from the Staff's audit of RBS Gas Utility Inc.'s ("RBS" or the "Company") annual deferred gas cost account filing for the twelve (12) month period ending February 28, 2002. The Actual Cost Adjustment Audit Report (the "Report" or "ACA"), attached hereto as Exhibit A, contains the audit findings of the Staff, the responses thereto of the Company, and the recommendations of the Staff to the Company in addressing the findings.

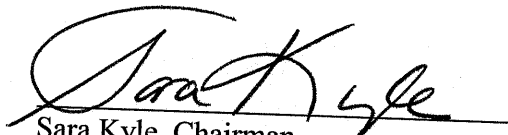
RBS's initial filing, received by the Authority on April 4, 2002, indicated an over-collection of gas costs in the amount of \$3,929.42. The Staff's audit findings showed a net under-collection of gas costs of \$38.97. The Report contains two (2) audit findings: (a) The Company did not apply the correct ACA factor during July 2001; (b) the Company incorrectly stated the interest on the ACA account balance. Relative to the second finding, the Report states that the Company has been cited for not applying the correct interest factor in its four (4) previous ACA audits (Docket Nos. 98-00441, 99-00403, 00-00279, and 01-00287). The Report recommends that the Authority, should it

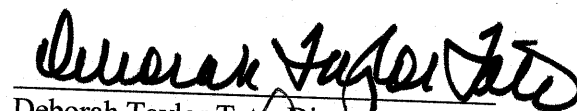
approve the Report, instruct RBS that its continued failure to apply the correct interest rate will result in enforcement action by the Authority. The Report states that the correct ACA balance of RBS is an over-collection of \$3,890.45. In order to refund this amount over the next twelve (12) months, the Report recommends that the Company include a refund factor on its customers' bills of negative \$.1565 per Mcf starting with the August 2002 billing period. As stated in the Report, the Company agreed with each of the Report's findings.

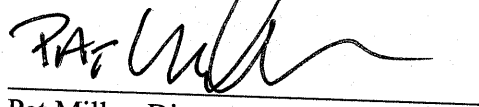
At the August 19, 2002 Authority Conference, after consideration of the Report, the voting panel unanimously approved and adopted the Report, including all findings and recommendations contained therein. The panel also cautioned a representative of RBS that continued failure to apply the correct interest rate could result in fines or other penalties.

IT IS THEREFORE ORDERED THAT:

1. The Actual Cost Adjustment Audit Report, a copy of which is attached to this order as Exhibit A, is approved and adopted, and the findings and recommendations contained therein are incorporated in this Order as if fully rewritten herein; and
2. Any party aggrieved by the Authority's decision in this matter may file a Petition for Reconsideration with the Authority within fifteen (15) days from the date of this Order.


Sara Kyle, Chairman


Deborah Taylor Tate, Director


Pat Miller, Director